

Order No. 56/21

**MANITOBA PUBLIC INSURANCE CORPORATION (MPI OR THE CORPORATION):
INTERIM PROCEDURAL ORDER RESPECTING PRELIMINARY ISSUES LIST
FOR 2022 GENERAL RATE APPLICATION FOR COMPULSORY 2022/2023 DRIVER
AND VEHICLE INSURANCE PREMIUMS AND OTHER MATTERS**

May 17, 2021

BEFORE: Irene A. Hamilton, Q.C., Panel Chair
Robert Gabor, Q.C., Chair
Carol Hainsworth, Member

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1.0 SUMMARY

By this Order, the Public Utilities Board of Manitoba (Board) establishes, on an interim basis, the Preliminary Issues List for the anticipated General Rate Application (GRA) of Manitoba Public Insurance Corporation (MPI or Corporation) for the review and approval of base rates and premiums for compulsory driver and vehicle insurance to take effect April 1, 2022 (2022 GRA).

2.0 PROCEDURAL HISTORY

By correspondence from Board counsel to MPI and prospective interveners dated April 27, 2021, the Board advised that it would be advancing the determination of the scope of issues to be considered at the 2022 GRA hearing on a preliminary basis. Included with the correspondence of April 27, 2021 was a Preliminary Issues List for the 2022 GRA. The Board invited MPI and the prospective interveners to provide their comments on the scope of the issues by May 4, 2021, following which this Interim Order would issue. In addition, the Minimum Filing Requirements (MFRs) for the 2022 GRA would be provided to MPI following the issuance of this Order.

The Board further advised MPI and the prospective interveners that following this Interim Order, a final Issues List would be approved by the Board in its Procedural Order, which will follow the Pre-Hearing Conference.

On May 4, 2021, the Board received written comments on the Preliminary Issues List from MPI and two prospective interveners, Consumers' Association of Canada (Manitoba) Inc. (CAC) and Unicity Taxi Inc. and Duffy's Taxi Inc. (Taxi Coalition).

3.0 PRELIMINARY ISSUES LIST

The Preliminary Issues List as determined by the Board and circulated to MPI and the interveners of record on April 27, 2021, set out the following issues as those to be considered in the 2022 GRA.

First, the following issues would be considered within the scope of the 2022 GRA in the normal course:

1. Requested vehicle rate and any changes to other fees and discounts;
2. Rate indication based on accepted actuarial practice in Canada;
3. Compliance with Board Orders 146/20 and 1/21;
4. Financial forecast:
 - a. financial forecast accuracy (2020/21 forecast versus actual results);
 - b. changes in projected financial results;
5. Annual Business Plan;
6. Changes, if any, to integrated cost allocation methodology;
7. Capital management plan;
8. Performance of the investment portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on a market value basis (e.g. asset mix);
9. Cost of operations and cost containment measures;
 - a. Forecast collision repair costs;
10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years;

11. Claims forecasting (including PIPP);
12. Vehicles for Hire (VFH) class, including rates;
13. Driver Safety Rating (DSR), including but not limited to MPI's progress towards changes to the DSR system;
14. Operational benchmarking;
15. Run-off of prior year claims during 2020/21;
16. Risk Assessment and Risk Management; and
17. Other issues that may arise (depending upon the nature and scope of the issue) based on a review of the application.

The following issues would require more detailed consideration at the 2022 GRA:

18. Operational and financial impact of COVID-19 on MPI financial results, ratemaking approach and CMP for the 2022/23 and 2022/22 rating years and beyond;

Finally, the following issues would be deferred from the 2022 GRA to future applications, or would be the subject of a technical conference or another process:

19. Road Safety (other than costs and budget of Road Safety programs);
20. Interest Rate Forecasting;
21. Long tail experience from other jurisdictions, in particular, Québec and Saskatchewan; and
22. Integrated Cost Allocation Methodology (other than changes referred to in item 6 above).

4.0 MPI COMMENTS

MPI made no comments on the content of the Preliminary Issues List, but inquired of the Board about the impact that deferring road safety to another GRA would have on certain road safety directives issued by the Board in Order 176/19, following the 2020 GRA. Those directives related to MPI's analysis and programming of road safety and required that MPI respond to them in the 2022 GRA.

By Order, number 57/21 issued concurrently with this Order, the Board has varied the road safety directives in Order 176/19, requiring MPI to file them in the 2023 GRA.

5.0 CAC COMMENTS

CAC made recommendations for revisions regarding the following issues on the Preliminary Issues List:

- Issue 4, Financial Forecast: CAC suggested that the Board add a sub-issue requiring MPI to conduct and file an examination of the reliability and predictive power of its investment forecasting methodologies when used in forecasting net income and determining its revenue requirement.
- Issue 8, Performance of the Investment Portfolio: CAC suggested that the Board require MPI to conduct a new Asset Liability Management study, because one had not been undertaken since the 2017 GRA.
- Issue 9, Cost of Operations and Cost Containment Measures: CAC asked the Board to consider adding a sub-issue addressing the status of MPI's agreements with the vehicle repair industry and health service providers, including the impact of these agreements on forecasted claims incurred.
- Issue 10, Current IT Strategic Plan and IT Expenses and Projects: CAC recommended that the Board clarify that this issue will include consideration of

MPI's Project Nova re-baseline exercise, project budget, and project financing options, including debt financing.

- Issue 11, Claims Forecasting (including PIPP): CAC suggested that the Board consider adding a sub-issue to make clear that this issue includes a review of any changes or enhancements to the design of the claims forecasting process.
- Issue 12, Vehicles for Hire (VFH): CAC recommended that the Board add a sub-issue to ensure that outcomes of and commitments made during the VFH Technical Conference will be reported on and addressed in the 2022 GRA.
- Issue 13, Driver Safety Rating (DSR): CAC asked the Board to consider adding two sub-issues; first requiring MPI to include in its DSR materials an analysis using the minimum bias procedure which considers all relevant relativities, and second, to include a review of MPI's DSR pricing review.
- Issue 19, Road Safety: CAC commented that MPI's Road Safety Operational Plan and Manitoba's Road Safety Action Plan addressed activities ending in 2020. CAC encouraged the Board to include some degree of consideration of MPI's planning and guidance documents for its road safety initiatives.

6.0 TAXI COALITION COMMENTS

The Taxi Coalition recommended that Issue 2, Rate Indication in Accordance with Accepted Actuarial Practice, be revised to make specific reference to ratemaking methodology as an issue to be considered.

In addition, the Taxi Coalition suggested that for completeness, Issue 3, Compliance with Board Orders 146/20 and 1/21, be amended to include a reference to any directives from prior orders that have not yet been addressed by MPI.

7.0 BOARD FINDINGS

The Board has considered the comments of CAC and the Taxi Coalition. The Board finds that it is appropriate to incorporate the revisions to Issues 2 and 3 recommended by the Taxi Coalition into the Preliminary Issues List. With respect to Issue 2, while the Board is of the view that ratemaking methodology is, and has been, a necessary aspect of its review of the rate indication, adding a specific reference to ratemaking methodology makes this clear.

Regarding the comments made by CAC, the Board is prepared to incorporate the addition to Issue 10, to make specific reference to the Project Nova re-baseline, budget, and financing options, including debt financing. Regarding Issue 11, Claims Forecasting, the Board will make clear that this issue includes, but is not limited to, a review of any changes or enhancements to claims forecasting design.

The Board is not prepared to make the remaining changes to the Preliminary Issues List suggested by CAC, for the following reasons:

- The requested changes to Issues 4 and 8 are in the nature of directives rather than issues to be considered in the 2022 GRA. The Preliminary Issues List is not intended to direct MPI on its activities or materials to be filed in support of the GRA.
- Issue 9(a) refers to forecast collision claims costs. This necessarily incorporates a consideration of the status of MPI's agreements with the vehicle repair industry and their impact on forecasted claims incurred. With respect to MPI's agreements with health service providers, the Board is not prepared at this preliminary stage to incorporate this as an enumerated issue for the 2022 GRA.
- Regarding the requested revision to Issue 12, VFH, the Board notes that in Order 1/21 following the 2021 GRA, it directed MPI to file a report in the 2022 GRA on the results of the VFH Technical Conference. The 2022 GRA will, therefore, involve a review of that report. The Board is not prepared to add a sub-issue related to

commitments made during the Technical Conference, given that that process is to be non-binding and the discussions in the Technical Conference do not form part of the record in the GRA.

- Similarly, with respect to Issue 13, pursuant to Order 1/21 the Board required MPI to file proposed driver premium rates and vehicle premium discounts more statistically consistent with the estimated claims cost per driver for each level of the DSR scale, including incorporating the DSR into its minimum bias analysis used to set rating relativities. Accordingly, there is no need for a revision to Issue 13 requiring MPI to file an analysis using the minimum bias procedure. Further, the Board finds that consideration of MPI's pricing review is subsumed within the current wording of Issue 13, as an aspect of MPI's progress towards changes to the DSR system.
- Finally, regarding Issue 19, apart from budget, the Board will not be examining road safety in the 2022 GRA. Therefore, the Board will not be revising the Preliminary Issues List to incorporate any other aspects of road safety at this time.

8.0 IT IS THEREFORE ORDERED THAT:

1. The following issues are considered within the scope of the 2022 GRA in the normal course:

1. Requested vehicle rate and any changes to other fees and discounts;
2. Ratemaking:
 - a. Rate indication based on accepted actuarial practice in Canada;
 - b. Ratemaking methodology;
3. Compliance with Board Orders 146/20 and 1/21, and any outstanding directives from past orders;
4. Financial forecast:
 - a. Financial forecast accuracy (2020/21 forecast versus actual results);
 - b. Changes in projected financial results;
5. Annual Business Plan;
6. Changes, if any, to integrated cost allocation methodology;
7. Capital management plan;
8. Performance of the investment portfolio and the composition of i) the portfolio, ii) benchmark portfolio(s) on a market value basis (e.g. asset mix);
9. Cost of operations and cost containment measures;
 - a. Forecast collision repair costs;
10. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years;

- a. Project Nova re-baseline, budget, and financing options, including debt financing;
11. Claims forecasting, including but not limited to PIPP and changes or enhancements to claims forecasting design;
12. Vehicles for Hire (VFH) class, including rates;
13. Driver Safety Rating (DSR), including but not limited to MPI's progress towards changes to the DSR system;
14. Operational benchmarking;
15. Run-off of prior year claims during 2020/21;
16. Risk Assessment and Risk Management; and
17. Other issues that may arise (depending upon the nature and scope of the issue) based on a review of the application.
2. The following issues require more detailed consideration at the 2022 GRA:
18. Operational and financial impact of COVID-19 on MPI financial results, ratemaking approach and CMP for the 2022/23 and 2022/22 rating years and beyond;
3. The following issues are deferred from the 2022 GRA to future applications, or will be the subject of a technical conference or another process:
20. Road Safety (other than costs and budget of Road Safety programs);
21. Interest Rate Forecasting;
22. Long tail experience from other jurisdictions, in particular, Québec and Saskatchewan; and

23. Integrated Cost Allocation Methodology (other than changes referred to in item 6 above).

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, Q.C."

Panel Chair

"Darren Christle, PhD, CCLP, P.Log., MCIT"

Secretary

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issued by the Public Utilities Board



Secretary